

ENVIRONMENTAL PROTECTION

California's environmental protection programs promote the state's economic vitality in an environmentally sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health.

SUSTAINABLE PEST MANAGEMENT

Chlorpyrifos is an insecticide used primarily on nut trees and fruit, vegetable and grain crops in California. Acute exposure to chlorpyrifos presents serious risks to human health including neurological development impairments, especially in children and sensitive populations. California has taken actions to significantly reduce the use of and exposures to chlorpyrifos. The Department of Pesticide Regulation recently recommended additional mitigation measures to further restrict use of the pesticide by instituting larger buffer zones and prohibiting certain application methods, such as aerial spraying. Additionally, the Department will commence a regulatory process to cancel the registration of chlorpyrifos. Cancellation would ban use of this pesticide in California.

As California initiates the cancellation process, it is important that the state proceeds in a way that balances public health, the environment and continued agricultural productivity.

Significant Adjustment:

- **Sustainable Pest Management Solutions**—A one-time increase of \$5.7 million General Fund to assist in the transition to safer pesticide alternatives. In partnership with growers and workers, research and development of better and safer alternatives, including non-chemical pest management, is necessary to build a stronger more resilient agricultural community in California. This proposal includes \$125,000 for the Department and the California Department of Food and Agriculture to lead a newly created, cross-sector work group that will identify, evaluate and recommend alternative pest management tools. In addition, the May Revision includes \$5.6 million for additional research and technical assistance for the development of safer, practical, more sustainable alternatives to chlorpyrifos. In combination, the work group and funding for the development of alternatives will produce short-term solutions and prioritize the development of long-term solutions to support a thriving agricultural sector and healthy communities.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control protects California residents and the environment from the harmful effects of toxic chemicals by restoring contaminated sites, enforcing hazardous waste laws, and compelling the development of safer products.

The Department's two main special funds, the Toxic Substances Control Account and Hazardous Waste Control Account, have structural deficits with ongoing expenditures exceeding revenues. At the time of the Governor's Budget, the Department had not completed the reconciliation of its past year accounting records. As a result, the magnitude of the Department's funding shortfall was unknown. The Governor's Budget reflected several temporary and placeholder funding shifts from other special funds, including the Lead-Acid Battery Cleanup Fund, to support the Department's current funding level. In February, the Department was able to reconcile its accounting records through the 2017-18 fiscal year.

In order to maintain current operations, the May Revision includes one-time \$37.5 million General Fund. This funding is necessary on a temporary basis as the Administration considers reforms necessary to improve accountability and transparency to impacted communities and regulated entities and develops a fee package to generate sufficient revenue to support the Department's mission. Additionally, the Office of State Audits

and Evaluations is currently conducting a performance audit of the Department's accounting functions, including whether its procedures are in compliance with the state's accounting principles and practices, laws, and regulations. It is anticipated that the audit will be completed in the fall of 2019.

SAFE DRINKING WATER

Since 2010, the state has provided over \$3 billion, primarily bond funds and federal funds, in assistance to address safe and affordable drinking water needs, such as the repair, replacement, and improvement of aging infrastructure and new treatment systems for over 600 projects to comply with the federal Safe Drinking Water Act.

Despite these efforts, many local water systems in the state, particularly those serving small disadvantaged communities, will continue to fail to provide safe drinking water to their customers. Currently, approximately 1 million Californians lack access to safe drinking water. The most significant remaining challenge is the lack of a stable funding source for long-term operation and maintenance of drinking water systems.

In recognition of the continued safe drinking water issues, the Governor's Budget proposed an additional \$168 million Proposition 68 to support capital water projects across the state. The Governor's Budget also included \$4.9 million General Fund to support initial steps towards implementation of the Safe and Affordable Drinking Water Program and statutory changes to establish ongoing sustainable funding to assist disadvantaged communities in paying for the costs of obtaining access to safe and affordable drinking water.

Chapter 1, Statutes of 2019 (AB 72) appropriated \$20 million General Fund in the current year to accelerate support for safe drinking water emergencies in disadvantaged communities.

The Administration remains committed to working in collaboration with the Legislature and stakeholders on a comprehensive package that includes a sustainable and reliable source of funding to support safe and affordable drinking water for all Californians.

ACHIEVING A CARBON-NEUTRAL ECONOMY

California is committed to achieving a carbon-neutral economy, including the long-term transition away from fossil fuels. The May Revision invests in this transition by

providing additional funds for transit-oriented communities; bus, truck, freight and tractor engine upgrades to reduce diesel use; methane reductions in agriculture; and providing apprenticeships and job training in careers that will build a future green economy. The May Revision also recognizes the need for careful study and planning to decrease demand and supply of fossil fuels, while managing the decline in a way that is economically responsible and sustainable.

The Cap and Trade Program is one important element of California's greenhouse gas emissions reduction strategy. It is a market-based mechanism that establishes a statewide declining cap on greenhouse gas emissions and a state-run auction of emissions allowances. Under the program, major carbon emitters must acquire allowances to represent their emissions and turn them in to the state each year. This establishes a price signal necessary to drive long-term investment in cleaner electricity and fuels, as well as more efficient energy use. The system also provides entities covered by the program the flexibility to reduce emissions in a cost-effective manner.

The Governor's Budget included a \$1 billion Cap and Trade Expenditure Plan to support programs that reduce or sequester greenhouse gases, including programs that benefit disadvantaged and low-income communities.

In recognition of the continued strength of recent Cap and Trade auctions, the May Revision proposes an additional \$251.5 million that promotes affordable housing, sustainability and resiliency priorities (see 2019-20 Cap and Trade Expenditure Plan chart).

- **Transformative Climate Communities**—A one-time increase of \$92 million to support integrated, community-scale housing, transit-oriented development, and neighborhood projects that reduce emissions in some of the state's most disadvantaged areas.
- **Low Carbon Transportation**—A one-time increase of \$130 million for programs that will reduce emissions from the transportation sector, with a focus on diesel pollution, including: (1) \$65 million to replace and upgrade diesel engines and equipment in the agricultural sector, and (2) \$50 million to provide incentives for zero-emission trucks, transit buses, and freight equipment. In addition, \$15 million is proposed to help individuals replace old, highly polluting vehicles with newer, more efficient cars and trucks.
- **Climate Smart Agriculture**—A one-time increase of \$20 million, including: (1) \$10 million for the Healthy Soils program that increases carbon sequestration and

2019-20 Cap and Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Governor's Budget	May Revision	Total
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection	\$200	-	\$200
		AB 617 - Local Air District Implementation (\$50 million total, including other funds)	\$20	-	\$20
		Technical Assistance to Community Groups	\$10	-	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Project	\$200	-	\$200
		Clean Trucks, Buses, & Off-Road Freight Equipment	\$132	\$50	\$182
		Enhanced Fleet Modernization Program & Transportation Equity Projects	\$50	\$15	\$65
		Agricultural Diesel Engine Replacement & Upgrades	\$25	\$65	\$90
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165	-	\$165
		Prescribed Fire & Fuel Reduction	\$35	-	\$35
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$18	\$10	\$28
		Methane Reduction	\$25	\$10	\$35
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25	-	\$25
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	\$40	\$92	\$132
	Coastal Commission & BCDC	Coastal Resilience	\$3	-	\$3
	Community Services & Development	Low-Income Weatherization	\$10	-	\$10
	California Conservation Corps	Energy Corps	\$6	-	\$6
Workforce Training	Workforce Development Board	Preparing Workers for a Carbon-Neutral Economy	\$27	\$8	\$35
Climate and Clean Energy Research	Strategic Growth Council	Climate Change Research	\$10	-	\$10
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy	-	\$1.5	\$1.5
Total			\$1,001	\$252	\$1,253

keeps our leading agricultural industry productive and growing far into the future, and (2) \$10 million for methane reduction programs that will support the state's short-lived climate pollutant goals.

- **Preparing Workers for a Carbon-Neutral Economy**—An ongoing increase of \$8 million to increase job training and workforce development as the state transitions to a carbon-neutral economy. When combined with the funding proposed in the Governor's Budget, this proposal invests \$35 million annually for five years in two key areas: (1) targeted pre-apprenticeship and apprenticeship programs for the fast-growing construction industry, which is necessary to build the infrastructure needed for climate resiliency and a carbon-neutral economy; and (2) a new High Road Training Partnership program to foster connections between employers, workers, and communities with an emphasis on regions and industries that have been traditionally dependent on fossil fuels, including Kern County, as California transitions to a carbon-neutral economy.
- **Transition to a Carbon-Neutral Economy**—A one-time increase of \$1.5 million for a study laying out the key actions the state must take to transition toward a carbon-neutral economy. The study will emphasize environmental and economic programs and policies to dramatically reduce fossil fuel demand by 2050, in line with the state's overall climate goals. The study will inform the California Air Resources Board's Scoping Plan, which lays the foundation for achieving California's ambitious goals, including achieving carbon-neutrality by 2045 and reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050.